

Message Text

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PAGE 01 PEKING 02046 210859Z

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ACTION EA-10

INFO OCT-01 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00 COME-00

DODE-00 EB-07 FRB-01 H-01 INR-05 INT-05 L-02 LAB-01

NSAE-00 NSC-05 PA-01 RSC-01 AID-05 CIEP-01 SS-15

STR-01 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

SWF-01 IO-10 NSCE-00 SAM-01 SAJ-01 NIC-01 /094 W

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FM USLO PEKING

TO SECSTATE WASHDC PRIORITY 2764

INFO AMEMBASSY TOKYO

AMCONSUL HONG KONG

C O N F I D E N T I A L PEKING 2046

E.O. 11652: GDS

TAGS: ETRD, EAGR, CH, US

SUBJECT: PRC VICE PREMIER SAYS GRAIN IMPORTS FROM US TO END

REF: HONG KONG 12545

1. JAPANESE EMBASSY ECONOMIC MINISTER YANAGIYA PROVIDED USLO OFFICER WITH FOLLOWING INFORMATION ON NOVEMBER 8 MEETING VICE-PREMIER LI HSIEN-NIEN HAD WITH THE FURUKAWA INDUSTRIAL GROUP AT WHICH LI SAID CHINA WOULD NO LONGER IMPORT US GRAIN. YANAGIYA DID NOT ATTEND THE MEETING HIMSELF BUT PROVIDED A FREE ENGLISH TRANSLATION FROM THE JAPANESE EMBASSY REPORT.

2. THE REPORT SAID THAT IN THE MIDST OF A DISCUSSION ABOUT SINO-JAPANESE TRADE MATTERS, LI SUDDENLY CHANGED THE SUBJECT TO WORLD FOOD. HE SAID THE SUPERPOWERS ARE USING FOOD AS A MEANS OF PUTTING PRESSURE ON THE DEVELOPING COUNTRIES OF THE THIRD WORLD. HE REFERRED TO SECRETARY KISSINGER'S SPEECH AT THE WORLD FOOD CONFERENCE, AND SAID THAT THE USSR HAS

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PAGE 02 PEKING 02046 210859Z

BEEEN MAKING PROFITS OUT OF ITS FOOD DEALS. HE SAID CHINA

ALSO IMPORTS "WHEAT" FROM THE US, AND IT EXPORTS RICE TO OTHER COUNTRIES, BUT IT ENGAGES IN THIS TRADE ONLY TO PROVIDE ITS PEOPLE WITH VARIETY AND NOT FOR THE SAKE OF PROFITS. HOWEVER, THE US REGARDS THE USSR AND CHINA AS BEING ALIKE ON THIS MATTER, LI SAID, AND THEREFORE CHINA WILL NOT BUY ANY MORE "GRAIN" FROM THE US. HE SAID CHINA WILL ACCEPT THOSE SHIPMENTS ALREADY CONTRACTED FOR, BUT WILL NOT BUY ANY MORE.

3. YANAGIYA SAID THE REPORT INDICATED THAT IT WAS NOT CLEAR TO THE JAPANESE VISITORS WHETHER LI WAS MAKING KNOWN A POLICY DECISION OR WAS MERELY EXPRESSING HIS PERSONAL FEELINGS. YANAGIYA ALSO SAID THERE SEEMED TO BE SOME QUESTION IN THE MINDS OF THE VISITORS ABOUT THE ACCURACY OF INTERPRETING AT THE MEETING.

4. COMMENT: WE ARE AWARE THAT THE CHINESE HAVE BEEN PIQUED OVER THEIR FEELING THAT US STATEMENTS HAVE NOT MADE A DISTINCTION BETWEEN SOVIET AND CHINESE GRAIN IMPORTS. IT ALSO MUST BE DIFFICULT FOR PEKING TO JUSTIFY IMPORTS OF GRAIN FROM THE US WHEN IT IS CRITICIZING US FOOD POLICIES. THERE ARE, HOWEVER, MANY OTHER FACTORS THAT WOULD EXPLAIN A DECISION AT THIS TIME NO TO IMPORT FURTHER US GRAIN. THESE INCLUDE QUALITY COMPLAINTS OVER CORN

(THE CHINESE CANCELLED US CORN CONTRACTS SEVERAL MONTHS AGO), CONTINUED PROBLEMS OVER TCK IN US WHEAT (INCLUDING HIGHER PRICES BECAUSE OF THE COSTS AND RISKS STEMMING FROM CHINA'S NON-TCK STIPULATION), AND THE APPARENT CHINESE ESTIMATE OF A BUMPER HARVEST THIS YEAR. WE WILL BE ALERT FOR ANY CONFIRMING INFORMATION OF A CHINESE POLICY DECISION IN THIS MATTER.
BUSH

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